PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2015

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pastures Revolving Fund, which comprise the statement of financial position as at March 31, 2015, and the statement of operations and accumulated operating surplus/(deficit), and statement of changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pastures Revolving Fund as at March 31, 2015, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 29, 2015

Judy Ferguson, FCPA, FCA
Provincial Auditor

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PASTURES REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2015	2014
Financial Assets		
Accounts receivable	$ 150,638	$ 279,466
Liabilities		
Accounts payable	1,486,246	3,411,914
Deferred revenue	901,106	943,767
Accumulated net expenditure (Statement 3)	2,714,748	1,400,863
	5,102,100	5,756,544
Net Debt	(4,951,462)	(5,477,078)
Non-Financial Assets		
Inventory held for consumption	276,695	326,878
Tangible capital assets (Note 6)	5,370,057	5,141,158
	5,646,752	5,468,036
Accumulated Operating Surplus/(Deficit) (Statement 2)	$ 695,290	$ (9,042)

(See accompanying notes to the financial statements)

Statement 2

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS / (DEFICIT)
For the Year Ended March 31

	Budget 2014-15 (Note 7)	Actual 2015	Actual 2014
REVENUES			
Grazing	$ 8,768,659	$ 8,375,600	$ 8,622,391
Petroleum and gas leases	2,000,000	2,002,973	2,022,422
Bull wintering	111,880	124,588	133,224
House rent	27,085	24,279	28,398
Seismic and easement	90,000	7,907	16,720
Hay Sales	-	16,580	7,520
Gain on disposal of tangible capital assets	-	-	5,863
Other	13,000	10,227	17,707
	11,010,624	10,562,154	10,854,245
EXPENSES			
Salaries	3,820,202	3,704,120	3,792,760
Repairs and improvements	1,830,815	1,505,198	1,486,615
Grants in lieu of taxes	954,150	1,005,711	968,353
Seed and forage	194,200	207,532	191,614
Rent of equipment, horses and other	284,675	269,039	280,138
Amortization	552,913	586,675	565,085
Travel	449,005	508,882	461,659
Small tools, equipment and supplies	357,899	233,744	365,240
Computer services	184,000	146,040	142,853
Utilities	150,375	174,354	134,840
Veterinary fees and supplies	79,050	86,661	73,070
Telephone and communications	66,830	51,328	63,359
Bad debt expense	-	(12,734)	70,420
Freight and postage	20,300	17,941	22,186
Advertising and printing	1,585	195	854
Loss on disposal of tangible capital assets	-	10,638	-
Other	64,625	62,498	66,778
	9,010,624	8,557,822	8,685,824
Operating Surplus (Statement 3)	$ 2,000,000	2,004,332	2,168,421
Accumulated Operating (Deficit)/Surplus, Beginning of Year		(9,042)	822,537
Transfer to General Revenue Fund (Note 5)		(1,300,000)	(3,000,000)
Accumulated Operating Surplus/(Deficit), End of Year - to Statement 1		$ 695,290	$ (9,042)

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	Budget 2014-15 (Note 7)	Actual 2015	Actual 2014
Financing Required for (Provided By) Operating Activities:			
Operating surplus (Statement 2)	$ 2,000,000	$ 2,004,332	$ 2,168,421
Items not affecting cash:			
Amortization	552,913	586,675	565,085
Loss (gain) on disposal of tangible capital assets	-	10,638	(5,863)
Net (increase) decrease in working capital items related to operations (Note 10)	-	(1,789,319)	1,765,751
	2,552,913	812,326	4,493,394
Financing Required for (Provided By) Investing Activities:			
Purchase of tangible capital assets	(997,000)	(828,060)	(1,173,739)
Proceeds from sale of tangible capital assets	-	1,849	5,863
	(997,000)	(826,211)	(1,167,876)
Financing Required for (Provided By) Financing Activities:			
Transfer to General Revenue Fund (Note 5)	-	(1,300,000)	(3,000,000)
	1,555,913	(1,313,885)	325,518
Accumulated Net Expenditure, Beginning of Year	(1,400,863)	(1,400,863)	(1,726,381)
Accumulated Net Expenditure, End of Year – to Statement 1	$ 155,050	$ (2,714,748)	$ (1,400,863)

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Management's Responsibility

The Revolving Fund's management is responsible for the reliability and integrity of these financial statements. In discharging its responsibility for the reliability and integrity of these financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

3. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. A Statement of Remeasurement Gains and Losses has not been prepared as the fund does not have any remeasurement gains or losses.

The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Recovery (Expenditure)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net recovery (expenditure) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Inventories Held for Consumption

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the Statement of Operations and Accumulated Operating Surplus/ (Deficit). Amortization of all tangible capital assets is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	5%
Buildings	5%
Equipment and Vehicles	10%
Office Equipment	10%

Tangible capital assets that are acquired or disposed of by the Revolving Fund during the year are amortized at 100% of the above rates in the year of acquisition and are not amortized in the year of disposal.

The threshold limits for capitalizing tangible capital assets are as follows:

Buildings	$ 5,000
Vehicles	5,000
Equipment	1,000
Office equipment	1,000
Land improvements	5,000

e) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Petroleum and gas leases revenue is recognized on a month start basis and billed in advance for the year.

f) Deferred Revenue

Deferred revenue consists of petroleum and gas lease revenue that will be earned in future periods and overpayments from patrons that will be applied to future fees. These amounts are included in income when the revenue is earned.

g) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and

expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

h) Non-financial assets
Tangible capital assets and inventory held for consumption are accounted for as assets by the Revolving Fund because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the Revolving Fund unless they are sold.

4. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

5. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The accumulated surplus (deficit) limit for the Pastures Revolving Fund is $700,000.

The Revolving Fund paid excess surplus of $1,300,000 to the General Revenue Fund in 2014-15. At March 31, 2015 the Revolving Fund had an accumulated operating surplus of $695,290.

6. Tangible Capital Assets (TCA)

	March 31, 2015						March 31, 2014
	Buildings	Land	Land Improvements	Office Equipment	Equipment & Vehicles	Total	Total
Opening Cost	$734,760	$19,000	$5,778,539	$43,663	$3,903,930	$10,479,892	$9,306,155
Additions During the Year	90,109	-	723,816	-	14,135	828,060	1,173,739
Disposals	-	-	-	-	(67,522)	(67,522)	(2)
Closing Cost	$824,869	$19,000	$6,502,355	$43,663	$3,850,543	$11,240,430	$10,479,892
Opening Accumulated Amortization	$357,383	$ -	$2,402,249	$43,663	$2,535,439	$5,338,734	$4,773,649
Annual Amortization	40,091	-	278,634	-	267,950	586,675	565,085
Disposals	-	-	-	-	(55,036)	(55,036)	-
Closing Accumulated Amortization	$397,474	$ -	$2,680,883	$43,663	$2,748,353	$5,870,373	$5,338,734
Ending Net Book Value of TCA	$427,395	$19,000	$3,821,472	$ -	$1,102,190	$5,370,057	$5,141,158

7. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2015	2014
Financial statement category:		
Expenses	$ 557,422	$ 364,700
Accounts payable	1,300,000	48,222

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Financial Instrument Risks

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $272,907 at March 31, 2015 with an allowance for doubtful accounts of $122,269. Some of the receivables were received shortly after year end reducing the credit risk.

The Revolving fund has no significant exposure to liquidity risk or interest rate risk.

10. Net Change in Working Capital Items Related to Operations

	2015	2014
Working capital changes:		
Decrease in accounts receivable	$ 128,828	$ 109,508
Decrease (increase) in inventories held for consumption	50,183	(69,600)
(Decrease) increase in accounts payable	(1,925,668)	1,709,293
(Decrease) increase in deferred revenue	(42,661)	16,550
Total (decrease) increase in working capital	$ (1,789,318)	$ 1,765,751

11. Amount Reported in Public Accounts

The accumulated net expenditure of the Revolving Fund reported in the Public Accounts is the accumulated net expenditure of the Revolving Fund adjusted for the following difference.

	2015	2014
Accumulated net expenditure	$ 2,714,748	$ 1,400,863
Adjustment to increase accumulated net expenditure in Public Accounts	71,739	64,216
Accumulated net expenditure reported in Public Accounts	$ 2,786,487	$ 1,465,079